Message Text

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PASS AGRICULTURE FOR MEEKER AND ANDERSON, FAS/W AND USIA

E.O. 11652: NA
TAGS: EAGR, ETRD, EGEN, AS
SUBJ: SPECIAL QUARTERLY REPORT - LIVESTOCK AND MEAT
CODE 13-C

GENERAL SITUATION

THE AUSTRALIAN BEEF SECTOR CONTINUES TO SLIDE DEEPER INTO THE SLUMP THAT STARTED IN LATE 1973. A HEAVIER THAN EXPECTED, DROUGHT-INDUCED SLAUGHTER IN THE SECOND QUARTER ADDED TO THE PROBLEM AND FORCED PRICES TO THE LOWEST LEVEL SINCE THE DOWNTURN BEGAN. SOME REPRESENTATIVE PRICES, WITH YEAR EARLIER COMPARISONS IN PARENTHESIS ARE AS FOLLOWS (A CENT PER POUND DRESSED WEIGHT): YEARLING STEERS 12.7 (24.0) AND COWS 5.0 (15.9). FUTURE MARKET PRICES RECENTLY POSTED ON THE SYDNEY EXCHANGE INDICATE LITTLE CHANGE IN CONFIDENCE THROUGH MOST OF 1975,76.

THE LONG AWAITED RAINS FELL IN JULY TO BRING AT LEAST TEMPORARY RELIEF TO THE WORST DROUGHT STRIKEN AREAS IN N.S.W., VICTORIA AND SOUTH AUSTRALIA. PASTURES ARE
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MAKING GOOD RECOVERY CONSIDERING THE COOL WINTER

TEMPERATURES. HAY AND FODDER RESERVES APPEAR ADEQUATE FOR SUPPLEMENTARY FEEDING. SOME AREAS ARE STILL OVER-STOCKED AND MORE CULLING WILL HAVE TO BE DONE, ESPECIALLY IN PARTS OF SOUTH AUSTRALIA AND VICTORIA

WHERE GROWTH IS BARELY KEEPING UP TO STOCK REQUIRE-MENTS. IN THE MALLEE AREA OF VICTORIA THE RAINS AR-RIVED TOO LATE TO DO MUCH GOOD. HEAVY CULLING WILL HAVE TO BE DONE AS TOTAL HAND FEEDING IS UNECONOMICAL AT CURRENT LIVESTOCK PRICES. SEASONAL CONDITIONS IN GENERAL HAVE IMPROVED CONSIDERABLY AND THIS SHOULD HELP EASE THE FLOW OF CATTLE TO MARKET IN THE MONTHS AHEAD.

PRODUCTION

BEEF PRODUCTION FOR 1976 (BASED ON U.S. RESTRAINTS AT 280,000 MT) IS NOW ESTIMATED AT 1.70 MILLION MT, UP ABOUT 1/3 FROM A YEAR EARLIER. BEEF OUTPUT ROSE SHARPLY IN THE FIRST HALF OF THIS YEAR (UP 45 PERCENT) DUE IN PART TO ADVERSE WEATHER, BUT ALSO TO DISMAL PROSPECTS FOR ANY NEAR TERM RECOVERY. SLAUGHTER RATES ARE EXPECTED TO SLOW IN THE SECOND HALF, PROVIDED PASTURE CONDITIONS CONTINUE TO IMPROVE. A RETURN TO DRY CONDITIONS WOULD BE DISASTROUS AS OUTLAYS ON IMPROVED PASTURES HAVE BEEN AT A STAND-STILL FOR SOME TIME.

THE LARGEST AND BEST OUTLEY FOR AUSTRALIAN BEEF IN 1975 WILL BE THE HOME MARKET WHICH NOW IS EXPECTED TO TAKE WELL OVER HALF OF THE TOTAL SUPPLY, OR IN EXCESS OF 900,000 MT. NOT ALL OF THE DOMESTIC DISAPPEARANCE WILL GO FOR DIRECT HUMAN CONSUMPTION, AS AN INCREASING PROPORTION IS GOING INTO THE COOKERS FOR MEAT MEAL AND INTO PET FOOD. MANY OLD COWS AND THIN ANIMALS DELIVERED TO THE MEAT WORKS ARE GOING DIRECTLY TO THE RENDERING TANKS AS THEY WILL NOT CLEAR THE COST OF SLAUGHTERING. PROCESSING COSTS FOR LOW YIELDING CUTS (FORES AND BRISKETS) ARE OFTEN EXCEEDING RETURNS. IN MANY CASES THESE CUTS ARE GOING INTO MEAT MEAL. MEAT PACKERS ARE HAVING ANOTHER BAD YEAR.

A MASSIVE FREIGHT RATE INCREASE WHICH IS EXPECTED SOON WILL FURTHER REDUCE EXPORT RETURNS.

EXPORTS

EXPORT PRICES REMAIN GENERALLY DULL WITH ONLY A SMALL INCREASE SINCE THE LOW POINT IN MARCH. DEVALUATION OF THE N.Z. DOLLAR BY 15 PCT IS EXPECTED TO GIVE THAT COUNTRY A SLIGHT COMPETITIVE EDGE WHERE BOTH

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COUNTRIES ARE COMPETING FOR THE SAME MARKETS, PARTICULARLY JAPAN AND THE MIDDLE EAST. AUSTRALIA'S BEEF EXPORTS DURING THE FIRST SIX MONTHS OF 1975 TOTALLED 235,000 MT, UP 56 PCT FROM A YEAR EARLIER. THIS LEVEL WAS BELOW THE POTENTIAL VOLUME THAT COULD HAVE BEEN SHIPPED AND PRICES HAVE BEEN DISAPPOINTING. TOTAL EXPORTS FOR 1975 ARE ESTIMATED AT 480,000 MT.

SINCE THE BEGINNING OF THE NOVEMBER SHIPPING YEAR, 247,151 MT OF BEEF HAVE BEEN SHIPPED TO THE U.S., LEAVING ONLY 32,849 MT FOR THE 4TH QUARTER. FURTHER RESTRICTIONS ON THE USE OF DIVERSIFICATION CREDITS FOR THE U.S. MARKET WERE IMPOSED BY THE MEAT BOARD IN JULY. 50 PCT OF THE EARNED CREDITS WERE FROZEN AS OF MIDNIGHT JULY 26 IN ORDER TO HOLD TO THE RESTRAIN LEVEL. BOARD OFFICIALS ARE HOPEFUL THAT THESE CREDITS CAN BE RELEASED TO FLL AN EXPECTED SHORTFALL ON THE U.S. MARKET. OFFICIALS INFORMED ATTACHE THAT THEY ARE LOOKING FOR A SHORTFALL OF ABOUT 45,000 MT. AUSTRALIA IS AIMING FOR SOME 30,000 MT OF THIS TOTAL, BUT OFFICIALS ADMIT THIS MAY BE OPTIMISTIC. IN THE ABSENCE OF ANY RESTRAINTS, WE ARE ES-TIMATING THAT AUSTRALIA WOULD SHIP A TOTAL OF 375,000 MT OF BEEF TO THE U.S. DURING THE CURRENT SHIPPING YEAR

OTHER EXPORT MARKETS HAVE BEEN PERFORMING NEAR THE LEVELS FORECAST EARLIER. SHIPMENTS TO JAPAN WERE SLOW IN THE FIRST HALF, BUT SALES ARE PICKING UP. SPECULATION HERE IS THAT JAPAN WILL ISSUE ADDITIONAL NEW QUOTAS EQUAL TO ABOUT 20,000 MT FOR ARRIVAL BEFORE CHRISTMAS. IF THIS IS TRUE, TOTAL SHIPMENTS TO JAPAN COULD RUN BETWEEN 25 TO 30,000 MT IN 1975. PRICE COMPETITION ON THE JAPANESE MARKET BETWEEN AUSTRALIA AND N.Z. IS REPORTED TO BE FIERCE AND PRICES UNREALISTICALLY LOW.

SHIPMENTS TO THE UNITED KINDOM AND THE E.C. ARE RUNNING AHEAD OF EARLIER FORECASTS. DURING THE FIRST 6 MONTHS OF 1975, SHIPMENTS AMOUNTED TO 13,300 MT. IT NOW APPEARS THAT THIS MARKET COULD TAKE 20,000 MT IN 1975. THE MIDDLE EAST TOOK 10,000 MT IN THE FIRST HALF AND WILL LIKELY TAKE 20,000 MT FOR THE FULL YEAR. FIRST HALF SHIPMENTS TO CANADA AMOUNTED TO 14,000 MT. CANADA AGREED TO A SPECIAL QUOTA FOR AUSTRALIAN BEEF OF 8,200 MT FOR THE TIME PERIOD AUGUST 12 THROUGH DECEMBER 31. TOTAL SHIPMENTS COULD RUN A LITTLE OVER 25,000 MT FOR THE YEAR.

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PASS AGRICULTURE FOR MEEKER AND ANDERSON, FAS/W AND USIA

USSR CONTRACT WILL NOW AMOUNT TO 35,000 MT, INSTEAD OF THE 40,000 MT THE MEAT BOARD HAD INTENDED TO SHIP. WHEN IT BECAME OBVIOUS THE DEADLINE TO FILL THE CONTRACT COULD NOT BE MET, THE BOARD REQUESTED AN EXTENSION, BUT THE SOVIETS DE-CLINED. NO FURTHER SALES ARE EXPECTED THIS YEAR.

LARGER THAN EXPECTED SHIPMENTS HAVE BEEN GOING TO TAIWAN, HONG KONG, OKINAWA, MALAYSIA AND THE PHILLIPINES. THESE COUNTRIES APPEAR TO BE TAKING ADVANTAGE OF THE LOW EXPORT PRICES. TAIWAN HAS TAKEN SOME 8,000 MT, THE PHILLIPINES ABOUT 5,000 MT , AND MALAYSIA NEARLY 3,000 MT IN THE FIRST 6 MONTHS OF 1975.

THE IAC INQUIRY INTO THE NEED FOR FURTHER AID TO THE BEEF INDUSTRY IS MOVING AHEAD. SUBMISSIONS SO FAR CALL FOR A VARIETY OF MEASURES SUCH AS WELFARE PAYMENTS, EXPORT SUBSIDIES, AND A $A25 PER HEAD BOUNTY TO SHOOT OLD COWS. LITTLE IN THE WAY OF NEW AID IS EXPECTED TO BE RECOMMENDED BY THE IAC.

MUTTON PRODUCTION HAS BEEN RUNNING AHEAD OF EARLIER FORECASTS. PRODUCTION IN THE FIRST HALF OF 1975 WAS UP 36 PERCENT. PRODUCTION FOR CY 1975 IS ESTIMATED AT 280,000 MT, UP NEARLY 30 PERCENT
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FROM THE LOW LEVEL A YEAR AGO.

THE EXPORT VOLUME FOR MUTTON HAS BEEN HIGHER THAN EXPECTED. LARGE PURCHASES BY JAPAN, TAKING 31,244 MT IN THE FIRST 6 MONTHS, HAS BEEN THE MAIN FACTOR. TOTAL PURCHASES BY JAPAN FOR 1975 COULD REACH 55,000 MT OR MORE, THE HIGHEST SINCE 1973. THE MIDDLE EAST AND CANADA HAVE ALSO BEEN HEAVY BUYERS. SOME MINOR MARKETS, MOST NOTABLY OKINAWA WHO RECENTLY PLACED A SUBSTANTIAL ORDER FOR MUTTON, ARE BUYING MORE THAN EXPECTED. EXPORT PRICES REMAIN LOW AS N.Z. AND AUSTRALIA COMPETE FOR THE MARKETS. THE CURRENT FAS PRICE FOR BONELESS MUTTON IS ABOUT .30 A CENT PER POUND. EXPORTS TO U.S. WILL NOT REACH THE 3,000 MT LIMIT SET BY THE MEAT BOARD. 500 MT LOOKS LIKE A TOP FIGURE.

THE FOLLOWING TABLES FOR BEEF AND VEAL SHOW ALTERNATIVE FORECASTS FOR 1975, BOTH WITH AND WITHOUT RESTRAINTS ON U.S. IMPORTS.

PART A - BEEF AND VEAL

I. SUMMARY:

1. NUMBER ON FARMS:

	1973 (ACTUAL)	1974 (ACTUAL)	1975 (FORECAST)
(1,000 HEAD MARCH 31)	29,101	30,839	33,020

2. SLAUGHTER

	1974 (ACTUAL)	1975 (FORECAST) WITH RESTRAINTS	WITHOUT RESTRAINTS
CATTLE	5,606	7,700	7,885
CALVES	1,148	1,300	1,325
	6,754	9,000	9,180

3. BEEF AND VEAL PRODUCTION (1,000 MT, CWE)

BEEF	1,217	1,645	1,675
VEAL	41	55	60
	1,258	1,700	1,735

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II. SUPPLY AND DISTRIBUTION FOR BEEF AND VEAL IN MT ON CALENDAR YEAR BASIS, UNDER ASSUPMTION OF RESTRAINTS AND NO RESTRAINTS ON U.S. IMPORTS IN CWE.

1974 1975
(ACTUAL) (FORECAST)

		WITH RESTRAINTS	WITHOUT RESTRAINTS
SUPPLY:			
STOCKS	78.0	70.0	70.0
PRODUCTION	1,258.0	1,700.0	1,735.0
	1,336.0	1,770.0	1,805.0
DISTRIBUTION:			
DOMESTIC CON-			
SUMPTION	707.0	930.0	860.0
CANNING	54.0	60.0	60.0
EXPORTS	505.0	710.0#	815.0
PROD. WT.	(340.0)	(480.0)	(550.0)
ENDING STOCKS	70.0	70.0	70.0
	1,336.0	1,770.0	1,805.0

INCLUDES 40,000 MT USSR BEEF (HINDS AND CROPS) CWE
CONVERSION OF 1.2.

3. BEEF AND VEAL EXPORTS BY COUNTRY OF DESTINATION IN MT FOR CALENDAR YEAR 1974 AND FORECAST FOR 1975 (UNDER ASSUMPTION OF RESTRAINTS ANDNO RESTRAINTS ON U.S. IMPORTS):

	1974 (ACTUAL)	1975 (FORECAST) WITH RESTRAINTS	WITHOUT RESTRAINTS
U.S.	241,590	280,000	375,000
CANADA	21,579	25,000	25,000
U.K. AND E.C.	21,412	18,000	18,000
OTHER EUROPE	4,021	20,000	20,000
JAPAN	26,450	25,000	25,000
USSR	---	35,000	35,000
MIDDLE EAST	3,369	20,000	20,000
MALAYSIA	4,185	8,000	8,000

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OTHER	17,094	49,000	24,000
TOTAL	339,700	480,000	550,000

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PASS AGRICULTURE FOR MEEKER AND ANDERSON, FAS/W AND USIA

III. 1. FORECAST OF BEEF AND VEAL SHIPMENTS TO U.S. UNDER ASSUMPTION
OF NO RESTRAINTS BY QUARTERS FOR A NOVEMBER-OCTOBER SHIPPING
YEAR WITH COMPARISIONS FOR 1973 AND 1974 (PRODUCT WEIGHT):

	1973 (ACTUAL)	1974 (ACTUAL)	1975 (FORECAST) WITH RESTRAINTS	WITHOUT RESTRAINTS
1ST QUARTER	61,192	69,681	98,616	98,616
2ND QUARTER	67,560	47,214	61,224	70,000
3RD QUARTER	103,873	50,000	87,401	100,000
4TH QUARTER	89,684	58,112	32,759	106,384
	322,309	225,369	280,000	375,000

PART B. SHEEP AND MUTTON

I. SUMMARY:

1. NUMBER ON FARMS	1973	1974	1975
(1,000 HEAD, MARCH 31)	(ACTUAL)	(ACTUAL)	(FORECAST)
	140,029	145,173	153,290

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2. SLAUGHTER
(1,000 HEAD)

SHEEP	16,436	10,765	13,670
LAMBS	15,639	14,842	16,000

3. MUTTON PRODUCTION
(1,000 MT, CWE) 316.2 219.6 280

II. S AND D MUTTON CWE ON CALENDAY YEAR BASIS IN 1,000 MT:

	1974 (ACTUAL)	1975 (FORECAST)
SUPPLY:		
STOCKS	29.0	17.0
PRODUCTION	291.6	280.0
TOTAL:	248.6	297.0
DISTRIBUTION:		
DOMESTIC CONSUMPTION	120.5	95.0
CANNING	6.0	6.0
EXPORTS	105.0	176.0
PROD. WT.	(67.3)	(109.0)
ENDING STOCKS	17.1	20.0
	248.6	297.0

III. 1. FORECAST OF MUTTON SHIPPMENTS TO U.S. IN 1975 BY QUARTERS FOR THE NOVEMBER - OCTOBER SHIPPING YEAR WITH COMPARISIONS FOR 1973 AND 1974 (PRODUCT WEIGHT, MT):

	1973 (ACTUAL)	1974 (ACTUAL)	1975 (FORECAST)
1ST QUARTER	1,830	508	26 (ACT.)
2ND QUARTER	1,742	678	42 (ACT.)
3RD QUARTER	772	---	173
4TH QUARTER	536	13	259
	4,880	1,199	500

2. MUTTON EXPORTS 1974 AND 1975 FORECAST, PRODUCT WEIGHT IN MT:

1974 1975

	1974 (ACTUAL)	1975 (FORECAST)
JAPAN	34,446	55,000
MIDDLE EAST	13,078	20,000
CANADA	6,852	7,000
U.K.	3,982	7,000
MALAYSIA	2,694	4,000
U.S.	814	500
OTHERS	5,436	15,500
	67,302	109,000

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